

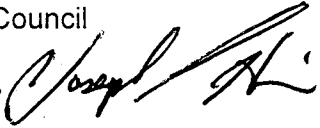
# City of Detroit

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## MEMORANDUM

**Date:** June 9, 2005  
**To:** Honorable City Council  
**From:** Joseph L. Harris   
**Subject:** Report on Current Budgetary Issues

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The process of developing and approving the City's annual budget is considered, by many, as the most important activity of the legislative branch. I wholeheartedly concur with that opinion. The purpose of this memorandum is to provide Your Honorable Body with a summary of this year's budgetary process: the issues related to the Mayor's proposed 2005 – 2006 budget, City Council's actions, and the current status.

The Mayor provided City Council with a budget that citizens, the corporate community, Wall Street, and the media all realize is severely flawed.

Among the budgetary entries City Council had to offset were the following:

Line-Item	Budgetary Gap (in millions)
Prepared Fast Food Tax	\$ 12.3
Property Transfer Tax	2.5
Civic Center (Cobo) Transfer to Regional Authority	4.5
Department of Transportation Transfer to Regional Authority	21.0
Reduction of Insurance Premium to Risk Management Fund	12.5
Overstatement of Utility User Tax	6.3
Understatement of Deficit Carryforward	47.0
Understatement of Airport Funding	2.6
Underfunding of 36 <sup>th</sup> District Court	4.2
Total	----- \$112.9 =====

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City Council was faced with three alternatives:

1. Accept the Mayor's budget as proposed
2. Reduce all funding for all functions except public safety related functions
3. Reduce funding for all functions to a tolerable level.

The first two options were unacceptable because the first was a recipe for bankruptcy since there were too many unachievable revenues and underestimated costs; and the second, as I explain later in this memorandum, would have the effect of disabling City government due to inadequate funding of essential functions.

Following is a schedule of the personnel reductions to the major non-public-safety departments in the Mayor's proposed budget for the General Fund and the Department of Transportation.

Agency	2005 Budgeted FTEs	Mayor's Proposed 2006 Budgeted FTEs	Decrease
36 <sup>th</sup> District Court	450	365	85
General Services, etc.*	2,277	1,873	404
Finance	491	343	148
Health	472	324	148
Human Resources	377	322	55
Law	185	146	39
Legislative	280	252	28
All Other Non-Public Safety Departments	721	693	28
Totals Before Transportation Personnel	5,253	4,318	935
Transportation	1,718	1,534	184
Totals Including Transportation Personnel	6,971	5,852	1,119

\* DPW, Environmental, PLD, Recreation, and Senior Citizens

The Mayor has proposed extremely large reductions to non-public-safety departments; and City Council identified another \$20 million in potential cost savings from those departments, many of which are currently performing marginally. This \$20 million is estimated to equate to approximately 300 jobs.

The Mayor's reductions, coupled with the City Council's reductions, will leave the General Fund non-public-safety departments at less than three-fourths of their currently budgeted levels. After all non-personnel costs and all civilian costs had been reduced as much as was considered tolerable, the budgetary gap still exceeded \$90 million, even after incorporating 10% reductions in salaries and wages for civilian employees, \$47 million in employee health care cost sharing, and a dubious \$40 million real estate sale into the budget.

The Mayor proposed reductions to the Department of Transportation by 184 employees. Routes have been eliminated, night service has been reduced, and maintenance staff has been cut. Thus, the Council was disinclined to cut the Transportation Department further.

The Mayor also proposed decreases to DPW, Public Lighting, Environmental, Recreation and Senior Citizens from the current year level of 2,277 to 1,873, a total of 404 positions. City Council decreased, further, the funding to these departments by the equivalent of approximately 80 positions.

If the budgets of Police and Fire remained unscathed, and the Department of Transportation (upon which many of our citizens rely), DPW (street cleaning and repair, grass cutting, trash pickup, snow removal, etc.), Public Lighting, Health, and 36<sup>th</sup> District Court remain at their current levels, the \$90 million, which equates to 1,500 jobs would have to be taken from the following departments.

Agency	Mayor's Proposed
	2006 Budget FTEs
Finance	343
Human Resources	322
Budget	24
Law	146
Civic Center	83
Information Technology Services	153
Office of Homeland Security	52
Legislative	252
All Other Non-Public Safety Departments	381
Totals	----- 1,756 =====

Since the City Council has already cut the funding to these departments by approximately 220 positions beyond the cuts proposed by the Mayor, these remaining departments could not sustain personnel reductions totaling an additional 1,500 employees.

On the other hand, the City's costs for public safety are excessive. Although many reasons may be provided to explain the discrepancies between the City of Detroit and its peer cities, the fact remains that the City has more officers per capita than all but one of its peer cities, and more officers per square mile than the other cities. Detroit's public safety costs, as a percentage of total General Fund costs, also exceed most of its peers.

A benchmarking study in 1998, performed for, then, Mayor Dennis Archer, revealed that the Detroit Police Department's costs exceeded that of its peers by \$66 million, primarily in two areas, criminal investigations, and operations. Nothing has been done in the ensuing seven years to address the opportunities presented in the report. The City should follow up on that benchmarking study to ascertain whether any savings can be realized in those areas while maintaining the quality of the services. If so, the majority of the City Council's proposed cost reductions could be absorbed by any efficiencies generated.

Today, the Mayor proposed a \$37 million amendment to the City's adopted budget, which includes highly unlikely proposed revenues and highly unlikely proposed cost savings to fund additional positions within the Police Department. The City can ill afford to fund the \$37 million with imaginary revenues and imaginary cost savings.

Since most of the City's other departments have been severely decimated, and since the City has no confirmation of any revenues in excess of those budgeted, or cost reductions not reflected in the budget, if additional funds are desired for the Police Department, the only alternative is the total elimination of some City services.

The City's structural deficit can only be eliminated by permanently reducing the cost of government, which will require the elimination of nonessential services, the reduction of the cost of labor, and the introduction of best practices into the City's processes to improve the efficiency and the effectiveness of the services provided to our citizens.

As stated in *The Price of Government*, the City will be required to "rightsize" based on the price the citizens are willing to pay for City government. The process of "rightsizing" should be performed by all departments. This will necessarily include the public safety departments.

Looking ahead, the question City officials should ask themselves is how they plan to balance the 2006 – 2007 budget when General Fund pension and health care benefits are expected to increase by \$54 million, when another \$40 million land sale (???) will not be available, when the Utility Users' Tax is expected to fall by another \$5 million, and when property taxes and income taxes continue to be eroded by the exodus of the City's residents.

The decisions we fail to make today will not go away. They will return next year with company.